



## News Release

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## **IRS Proposes Changes to Improve Withholding by Certain Foreign Financial Institutions for U.S. Taxpayers**

IR-2008-116, October 16, 2008

WASHINGTON — The Internal Revenue Service has announced proposed amendments to improve the Qualified Intermediary (QI) program for certain foreign financial institutions serving taxpayers with accounts outside of the United States.

A QI is a foreign financial institution that has agreed with the IRS to undertake certain U.S. withholding and reporting responsibilities and has agreed to audits by an external auditor.

At a hearing before a Senate Subcommittee in July, IRS Commissioner Doug Shulman pledged that the rules of the QI program would be revised to more effectively deter efforts to avoid U.S. withholding rules.

“This is an important program, and we cannot tolerate anyone abusing or skirting the requirements,” Shulman said. “This proposal lays out a strong set of actions in our ongoing effort to strengthen the Qualified Intermediary program.”

Under the proposed changes, financial institutions that are QIs must provide early notification of material failure of internal controls, must improve evaluation of risk of circumvention of U.S. taxation by U.S. persons, and must include audit oversight by a U.S. auditor.

The IRS and Treasury Department request comments regarding the proposed amendments to the QI Agreement and the proposed amendments to the QI Audit Guidance.

Comments should be submitted on or before Feb. 28, 2009, and should include a reference to Announcement 2008-98. Send submissions to CC:PA:LPD:PR (Announcement 2008-98), Room 5203, Internal Revenue Service, P.O. Box 78604, Ben Franklin Station, Washington, DC 20044.

Submissions may be hand delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (Announcement 2008-98), Courier’s Desk, Internal Revenue Service, 1111 Constitution Avenue, NW, Washington, DC 20044, or sent electronically, via the following e-mail address: [notice.comments@irs.counsel.treas.gov](mailto:notice.comments@irs.counsel.treas.gov).

Please include “Announcement 2008-98” in the subject line of any electronic communication. All material submitted will be available for public inspection and copying.